CANADA-NOVA SCOTIA
Crop Insurance

ANNUAL REPORT

*for the year 2002–03*

# The Nova Scotia Crop & Livestock Insurance Commission

Agriculture and Agri-Food Canada | Agriculture et Agroalimentaire Canada

NOVA SCOTIA

104-03836/

CANADA-NOVA SCOTIA
Crop Insurance

ANNUAL REPORT

*for the year 2002–03*

# The Nova Scotia Crop & Livestock Insurance Commission

Agriculture and Agri-Food Canada | Agriculture et Agroalimentaire Canada

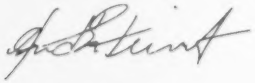
NOVA SCOTIA

Her Honour
The Honourable Myra Freeman
Lieutenant-Governor of Nova Scotia

Dear Madam:

I have the honour to transmit herewith the Annual Report of the Nova Scotia Crop and Livestock Insurance Commission for the year ended March 31, 2003.

I am, Your Honour.
Yours very truly,



Chris d'Entremont
Minister of Agriculture and Fisheries

The Honourable Chris d'Entremont
Minister of Agriculture and Fisheries

Dear Sir:

We have the honour to herewith submit the thirty-fourth Annual Report of the Nova Scotia Crop and Livestock Insurance Commission for the fiscal year ending March 31, 2003. Included in this report is a summary of operations, the audited financial statements, and statistical information for the programs under the authority of the Commission.

Respectfully submitted,
Nova Scotia Crop and Livestock
Insurance Commission

J. Forbes
Chair

G.A. Post
Manager

## TABLE OF CONTENTS


Commission Officers ..... 8
Program Background ..... 9
Objectives and Responsibilities ..... 9
Financial Participation ..... 10
Insurance Plans in Force ..... 11
Features of the Crop Insurance Plans ..... 12
Statistical Summaries ..... 13
The 2002–03 Season ..... 18
Accountability Report ..... 21
Financial Statements ..... 23
Auditor's Report ..... 27


## GRAPHS


Fund Revenues ..... 10
Number of Contracts by Year ..... 11
Acres Insured by Year ..... 12
Risk by Year ..... 14
Premiums and Claims by Year ..... 15

## COMMISSION OFFICERS

### BOARD OF DIRECTORS

Jerome Forbes, Chair
St. Andrews, Antigonish Co.

Michael Johnson, Vice-Chair
NS Dept. Agriculture & Fisheries

Thane Fullerton
Harrison Settlement, Cumb. Co.

Gail Parker
Waterville, Kings Co.

Avard Bentley
Westchester, Cumb. Co.

Wendel Purdy
Collingwood, Cumb. Co.

### PRINCIPAL OFFICERS

G.A. Post—Manager
K.G. Bartlett—Secretary
B.A. Whidden—Accounting Clerk
B.J. Nelson—Clerk
J.R. Gilmore—Supervisor, Field Services
W.J. Morley—Regional Field Representative
G.D. Macintosh—Coordinator, Research & Program Development
D.R. MacKenzie—Agrologist
M.J. Blenkhorn—Agrologist

### AUDITOR

Auditor General, Province of Nova Scotia

### SOLICITOR

J.R.M. Akerman, Q.C.

### FIELD STAFF

D.R. MacKenzie
M.J. Blenkhorn

## PROGRAM BACKGROUND

The Nova Scotia Crop Insurance Act, which was assented to in 1968 and amended in 1978 to provide for the administration of the Livestock Insurance program, is cited as the Crop and Livestock Insurance Act.

Under the Crop and Livestock Insurance Act, the Commission is responsible to administer the program under the direction, supervision, and control of the Minister of Agriculture and Fisheries.

The Commission administers crop insurance coverage to 13 crop insurance plans and a livestock insurance program.

## OBJECTIVES AND RESPONSIBILITIES

The fundamental objective of the Crop and Livestock Insurance Commission is to make available to Nova Scotia farmers programs that will assist in years of reduced yields, lower revenue, and losses due to insurable perils.

In the interest of efficiency of operations and convenience to farmers, the programs are administered by a common staff, but each program stands on its own. Separate accounting for premium and indemnities is maintained for each program. Administration expenses are proportioned to each program.

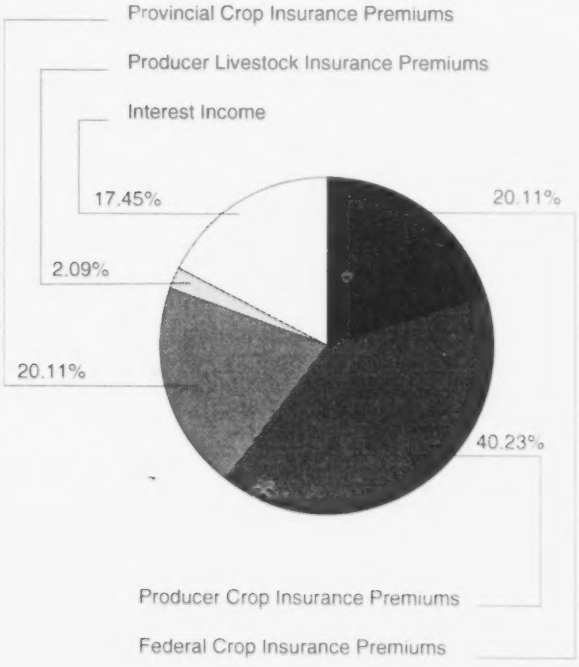
## FINANCIAL PARTICIPATION

The administration of the Crop and Livestock Insurance program is the responsibility of the Commission. It is subject to the provisions under the Nova Scotia Crop and Livestock Insurance Act and the Canada–Nova Scotia Crop Insurance Agreement.

The governments of Nova Scotia and Canada each contribute 50 per cent of administration expenses for crop insurance. Administration expenses for other programs administered by the Commission are the responsibility of the province.

For 2002–03, the government of Nova Scotia contributed 51 per cent of the total administration costs and 25 per cent of the crop insurance premium. The government of Canada contributed 49 per cent of the total administration costs and 25 per cent of the premium for crop insurance programs.

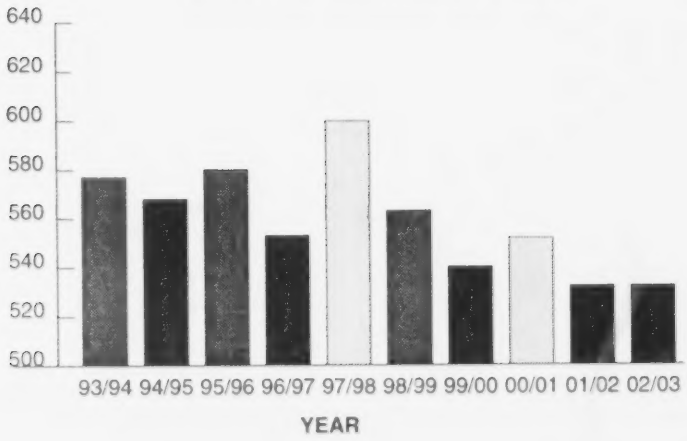
## FUND REVENUES



## INSURANCE PLANS IN FORCE

| | |
|---|---|
| Spring Grain: | oats, barley, wheat, and mixed grain |
| Winter Grain: | rye, wheat |
| Tree Fruit: | apples, pears, tree protection |
| Corn: | silage, grain, high moisture |
| Peas and Beans: | processing |
| Blueberries: | lowbush and highbush blueberries |
| Strawberries: | |
| Raspberries: | |
| Forage: | establishment year |
| Forage Production: | |
| Soybeans: | |
| Potatoes: | processing |
| Vegetables: | broccoli, brussels sprouts, cauliflower, cabbage, fresh carrots, lettuce, onions, parsnips, processing carrots, rutabagas, and winter squash |
| Livestock: | dairy |

**NUMBER OF CONTRACTS BY YEAR**



## FEATURES OF THE CROP INSURANCE PLANS

### Designated Perils

The crop insurance plans protect against loss caused by drought, frost, hail, wind, excessive moisture, insect infestation, plant disease, wildlife, winter injury, unavoidable pollination failure, and off-crop due to adverse weather conditions.

### Type of Insurance

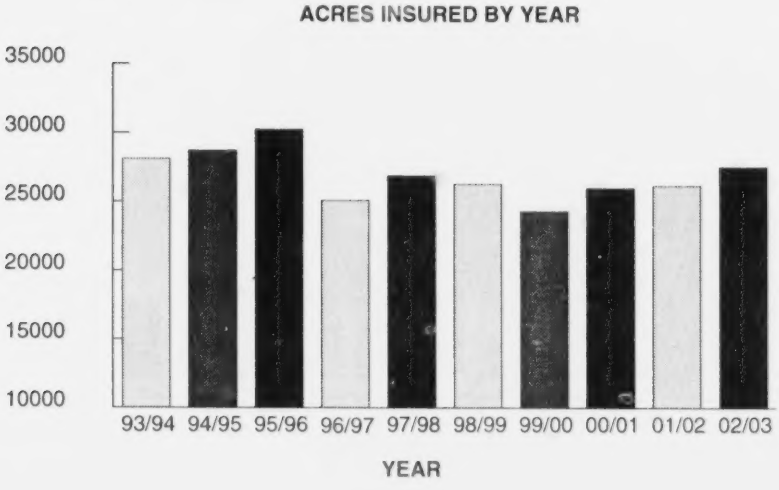
Each insured crop is guaranteed a specific yield based upon the past yield records of each insured. When no past records are available, a benchmark, either provincial or industry averages, is used.

### Quality Guarantee

Quality losses are taken into consideration with certain plans, such as tree fruit, corn, and spring and winter grain.

### Premium Discount/Surcharge

The base premium rate for all insurance plans, with the exception of forage, is adjusted by giving a discount when indemnities paid are less than premium paid or by adding a surcharge when indemnities paid exceed premium. The maximum discount shall be 50 per cent and the maximum surcharge shall be 100 per cent.



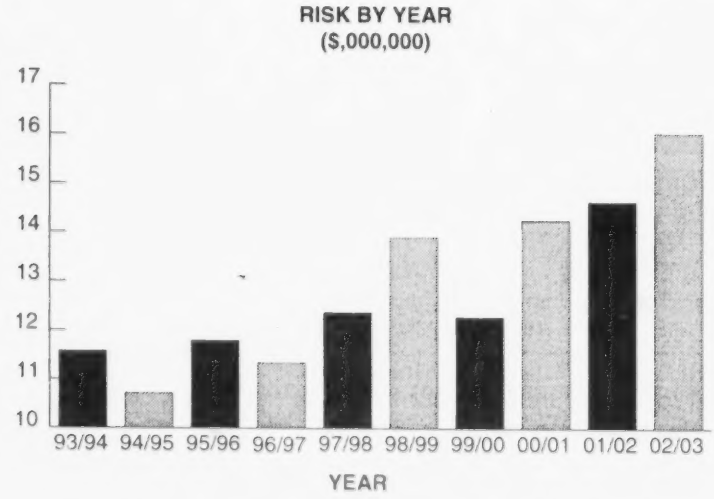
## STATISTICAL SUMMARIES
## ANNUAL SUMMARY OF INSURANCE PLANS 2002–03

| Plan | No. Growers | No. Acres | Total Coverage | Total Premium | Total Indemnities |
|---|---|---|---|---|---|
| Spring Grain | 106 | 4,066.39 | $ 523,320.19 | 43,979.64 | $ 8,919.17 |
| Tree Fruit | 50 | 2,925.55 | 3,749,760.47 | 183,617.84 | 13,135.24 |
| Tree Ins. End. | 9 | 144,731 (trees) | 2,009,031.00 | 10,045.68 | |
| Peas & Beans | 43 | 2,407.90 | 684,253.94 | 83,755.28 | 42,656.34 |
| Forage Est. | 10 | 332.87 | 46,601.80 | 4,161.04 | 8,554.00 |
| Forage Prod. | 3 | 644.70 | 64,081.19 | 3,559.12 | |
| Corn | 50 | 3,891.91 | 782,762.69 | 41,960.32 | 12,064.55 |
| Blueberries | 171 | 6,304.57 | 3,644,977.40 | 196,909.84 | 175,644.14 |
| Strawberries | 8 | 81.54 | 250,024.91 | 19,433.24 | 10,604.58 |
| Raspberries | 2 | 3.42 | 2,759.96 | 292.12 | |
| Winter Grain | 26 | 2,483.90 | 474,410.36 | 31,638.16 | 8,463.76 |
| Potatoes | 10 | 2,234.30 | 2,161,417.00 | 68,856.76 | |
| Soybeans | 11 | 637.31 | 87,170.58 | 7,369.68 | 6,821.24 |
| Vegetables | 24 | 1,546.80 | 1,537,368.38 | 121,424.16 | 73,460.75 |
| **Crop Summary** | **529** | **27,561.16** | **16,017,939.87** | **817,002.88** | **360,323.77** |
| | **Herds** | **Animals** | | | |
| Loss Income | | | 9,814,731.88 | | |
| Livestock | 179 | 21,769 | 26,918,600.00 | 32,864.20 | 30,144.00 |
| | | | 36,733,331.88 | 32,864.20 | 30,144.00 |
| **Totals** | | | **52,751,271.75** | **849,867.08** | **390,467.77** |

Forage Est. claims belong to 2001–2002 crop year.
Winter grain claims belongs to 2002 crop year.
Premiums for Tree Endorsement, Forage Est .and Winter Grain belong to cop year 2002

## SUMMARY OF CROP INSURANCE PLANS (1969–1970 TO 2002–2003 CROP YEARS INCLUSIVE)

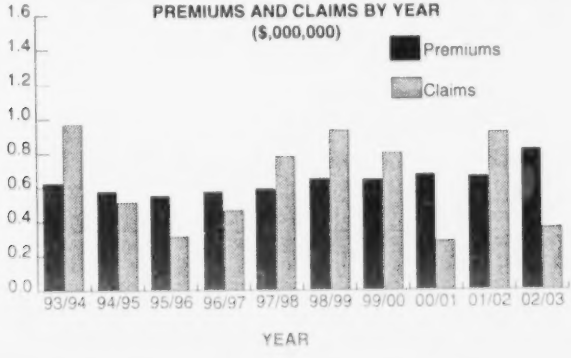
| Plan | No. Years | No. Claims | Total Premium | Claims Paid | Loss Ratio |
|---|---|---|---|---|---|
| Spring Grain | 34 | 1523 | $ 1,399,471.73 | $ 1,269,524.59 | $ 0.91 |
| Winter Grain | 33 | 273 | 548,732.83 | 479,030.11 | 0.87 |
| Tree Fruit | 33 | 532 | 4,143,012.55 | 4,204,211.39 | 1.01 |
| Tree Rider | 20 | 21 | 152,110.67 | 89,451.19 | 0.59 |
| Tobacco | 25 | 21 | 767,809.39 | 561,296.33 | 0.73 |
| Corn | 32 | 493 | 1,395,449.97 | 1,107,067.64 | 0.79 |
| Pea & Bean | 31 | 607 | 3,053,385.08 | 3,104,863.15 | 1.02 |
| Blueberries | 30 | 592 | 1,557,638.32 | 1,503,575.03 | 0.97 |
| Strawberries | 29 | 111 | 263,868.24 | 235,866.46 | 0.89 |
| Forage Est. | 26 | 144 | 89,608.22 | 74,294.12 | 0.83 |
| Soybeans | 17 | 56 | 112,160.06 | 86,722.22 | 0.77 |
| Potatoes | 16 | 21 | 743,878.77 | 942,784.48 | 1.27 |
| Raspberries | 3 | 2 | 805.24 | 1,721.40 | 2.14 |
| Forage Prod. | 3 | 1 | 16,983.20 | 4,551.38 | 0.27 |
| Vegetables | 3 | 23 | 264,998.68 | 389,303.19 | 1.47 |
| **Totals** | | **4,420** | **$14,509,912.65** | **$14,054,262.68** | **0.97** |



## OPERATIONS SUMMARY OF CROP INSURANCE YEARS (1969–1970 TO 2002–2003 CROP YEARS INCLUSIVE)

| Crop Years | No. Contracts | Total Coverage | Total Premium | Claims Paid | Loss Ratio |
|---|---|---|---|---|---|
| 2002–03 | 532 | 16,017,939.87 | 822,858.84 | 372,787.80 | 0.45 |
| 2001–02 | 532 | 14,614,865.02 | 662,383.83 | 912,656.05 | 1.38 |
| 2000–01 | 552 | 14,235,571.33 | 671,443.87 | 284,246.26 | 0.42 |
| 1999–00 | 540 | 12,266,330.30 | 642,684.32 | 797,459.04 | 1.24 |
| 1998–99 | 563 | 13,893,446.80 | 646,821.92 | 929,782.98 | 1.44 |
| 1997–98 | 600 | 12,357,446.94 | 589,541.32 | 776,067.57 | 1.32 |
| 1996–97 | 553 | 11,333,794.19 | 573,198.51 | 465,839.09 | 0.81 |
| 1995–96 | 580 | 11,786,776.62 | 547,889.80 | 312,763.50 | 0.57 |
| 1994–95 | 568 | 10,712,791.39 | 575,557.95 | 511,379.55 | 0.89 |
| 1993–94 | 577 | 11,572,519.02 | 624,484.68 | 967,080.26 | 1.55 |
| 1992–93 | 624 | 11,215,333.94 | 658,992.66 | 200,655.25 | 0.30 |
| 1991–92 | 544 | 11,615,235.19 | 632,577.19 | 1,404,709.79 | 2.22 |
| 1990–91 | 568 | 10,812,668.40 | 576,350.10 | 361,075.66 | 0.63 |
| 1989–90 | 604 | 10,388,965.96 | 544,223.97 | 878,496.97 | 1.61 |
| 1988–89 | 532 | 10,123,576.34 | 536,156.26 | 105,875.06 | 0.20 |
| 1987–88 | 597 | 10,144,184.62 | 536,178.46 | 158,436.63 | 0.30 |
| 1986–87 | 730 | 10,150,321.12 | 497,240.93 | 1,388,321.35 | 2.79 |
| 1985–86 | 730 | 9,842,990.44 | 451,781.74 | 506,393.98 | 1.12 |
| 1984–85 | 740 | 9,656,714.23 | 450,978.08 | 132,831.31 | 0.29 |
| 1983–84 | 775 | 8,863,218.33 | 451,910.61 | 442,181.20 | 0.98 |
| 1982–83 | 760 | 6,618,768.79 | 449,727.96 | 123,888.71 | 0.28 |
| 1981–82 | 752 | 5,854,042.18 | 401,609.14 | 219,338.95 | 0.55 |
| 1980–81 | 666 | 4,228,150.76 | 295,329.10 | 196,488.55 | 0.67 |
| 1979–80 | 695 | 3,994,307.91 | 296,406.94 | 300,974.95 | 1.02 |
| 1978–79 | 781 | 3,730,752.45 | 284,334.24 | 131,548.18 | 0.46 |
| 1977–78 | 770 | 3,381,581.47 | 251,407.28 | 253,696.31 | 1.01 |
| 1976–77 | 602 | 2,751,869.76 | 220,219.10 | 90,559.13 | 0.41 |
| 1975–76 | 568 | 2,274,900.30 | 198,451.73 | 169,900.31 | 0.86 |
| 1974–75 | 565 | 2,030,120.33 | 164,694.03 | 232,358.15 | 1.41 |
| 1973–74 | 492 | 1,762,978.44 | 96,519.82 | 252,505.26 | 2.62 |
| 1972–73 | 386 | 1,553,341.41 | 77,955.05 | 78,023.10 | 1.00 |
| 1971–72 | 364 | 777,955.53 | 32,884.51 | 50,406.29 | 1.53 |
| 1970–71 | 345 | 823,244.95 | 31,954.54 | 35,304.14 | 1.10 |
| 1969–70 | 277 | 310,831.53 | 15,157.96 | 8,043.41 | 0.53 |
| **TOTAL** | | **$217,697,535.86** | **$14,509,912.65** | **$14,054,262.68** | **0.97** |

Since the program's implementation in 1969, for every dollar collected in premium, $0.97 has been paid out in claims.



## SUMMARY OF DAIRY LIVESTOCK INSURANCE PLAN (APRIL 1, 1978–MARCH 31, 2003)

| Years | No. Insured Herds | Insured Animals | Total Premium | Claims Paid | Loss Ratio |
|---|---|---|---|---|---|
| 2002–03 | 179 | 21,769 | $32,864.20 | $30,144.00 | $0.92 |
| 2001–02 | 184 | 21,640 | 20,870.38 | 14,210.00 | 0.68 |
| 2000–01 | 182 | 20,252 | 19,538.76 | 197,632.22 | 10.11 |
| 1999–00 | 203 | 21,531 | 17,108.54 | 17,400.00 | 1.02 |
| 1998–99 | 212 | 22,087 | 17,475.34 | 55,104.68 | 3.15 |
| 1997–98 | 232 | 22,857 | 17,797.26 | 44,679.34 | 2.51 |
| 1996–97 | 240 | 22,801 | 25,891.18 | 47,960.58 | 1.85 |
| 1995–96 | 252 | 22,866 | 26,219.52 | 7,270.22 | 0.28 |
| 1994–95 | 263 | 23,053 | 26,719.36 | 6,400.00 | 0.24 |
| 1993–94 | 231 | 20,572 | 24,988.14 | 16,400.00 | 0.66 |
| 1992–93 | 242 | 21,224 | 26,058.76 | 3,752.66 | 0.14 |
| 1991–92 | 259 | 22,739 | 28,999.30 | 17,157.20 | 0.59 |
| 1990–91 | 282 | 23,771 | 30,876.59 | 7,600.00 | 0.25 |
| 1989–90 | 217 | 26,221 | 35,339.52 | 10,130.00 | 0.29 |
| 1988–89 | 313 | 25,913 | 35,485.64 | 7,639.50 | 0.22 |
| 1987–88 | 306 | 25,500 | 39,104.26 | 3,200.00 | 0.08 |
| 1986–87 | 300 | 24,705 | 38,888.11 | 17,593.05 | 0.45 |
| 1985–86 | 265 | 22,662 | 39,188.63 | 36,775.90 | 0.94 |
| 1984–85 | 219 | 18,263 | 42,034.80 | 14,459.00 | 0.34 |
| 1983–84 | 209 | 18,037 | 43,820.40 | 3,400.00 | 0.08 |
| 1982–83 | 205 | 17,253 | 42,423.00 | 21,133.16 | 0.50 |
| 1981–82 | 249 | 20,480 | 53,326.15 | 16,120.35 | 0.30 |
| 1980–81 | 284 | 22,817 | 77,919.61 | 53,089.50 | 0.68 |
| 1979–80 | 403 | 29,491 | 86,731.88 | 60,501.10 | 0.70 |
| 1978–79 | 352 | 26,121 | 59,198.14 | 31,744.50 | 0.54 |
| **TOTALS** | | | **$875,990.91** | **$741,496.96** | **0.85** |

Since the program was implemented in 1978, for every dollar collected from the insured farmer, $0.85 has been paid out in claims.

**DAIRY LIVESTOCK INSURANCE CLAIMS SUMMARY**
**(APRIL 1, 2002–MARCH 31, 2003)**

| Insurable Perils | Number Animals | Total Claims Paid |
|---|---|---|
| 1. Shipping fever | 21 | $30,144 |
| 2. Reportable diseases | 0 | 0 |
| 3. Infectious bovine rhinotracheitis | 0 | 0 |
| 4. Other | 0 | 0 |
| 5. Loss of income | 0 | 0 |

**CLAIM SUMMARY RE: DAIRY LIVESTOCK INSURANCE PLAN**
**(APRIL 1, 1978–MARCH 31, 2003)**

| Insurable Diseases | No. Animals | Total Claims Paid |
|---|---|---|
| 1. Acute mastitis* | 108 | $104,291.40 |
| 2. Shipping fever | 337 | 331,985.54 |
| 3. Infectious bovine rhinotracheitis | 53 | 41,337.18 |
| 4. Brucellosis | 2 | 810.70 |
| 5. Loss of income | | 246,872.14 |
| 6. Other | 14 | 16,200.00 |
| **Total** | **514** | **$741,496.96** |

* This peril no longer covered.

## THE 2002–03 SEASON

The early growing season in 2002 was quite variable. Alternating hot and cold, wet and dry patterns throughout the spring led to variable bloom conditions in tree fruits, but in general fruit set was rather good.

Localized frost and drought conditions affected some blueberry growers, but favorable conditions in the majority of the province led to higher-than-normal yields.

Grains, oilseeds, corn, peas, and beans experienced good growing conditions and higher than average yields. As a result, the indemnities paid were lower than average.

The loss ratio for the year was 43 per cent of premiums or 2.25 per cent of total crop coverage.

## TABLE 1. ESTIMATE – ACTUAL 2002–03

| | Estimate 02-03 (000)s | Actual 02-03 (000)s |
|---|---|---|
| **Revenues** | | |
| Insurance Premiums paid by Clients Clients | $ 377 | $ 429 |
| Insurance Premiums Contributed by Govt (Federal) | 175 | 204 |
| Insurance Premiums Contributed by Govt (Provincial) | 175 | 204 |
| Interest Income | 205 | 177 |
| **Total Revenues** | **932** | **1,014** |
| **Expenses** | | |
| Indemnity Claims | 930 | 384 |
| Reinsurance premiums | – | – |
| Bad Debt Expense | 5 | 44 |
| **Total Expenses** | **935** | **428** |
| **Net Income From Insurance Activities** | **(3)** | **586** |
| **Crop and Livestock Insurance Fund Balance** | | |
| Beginning of Year | 5,712 | 5,712 |
| End of Year | 5,709 | 6,298 |
| **Administrative Expenses** | | |
| Government Contributions (Canada) | 344 | 333 |
| Government Contributions (Nova Scotia) | 379 | 346 |
| **Total Administrative Expenses** | **723** | **679** |
| **Net Govt Expenditure** | | |
| Canada (Premium + Administration) | 519 | 537 |
| Nova Scotia (Premium + Administration) | 554 | 550 |
| **Total Program Expenditure** | **1,073** | **1,087** |

The Commissions plan for 2002–03 includes four priority items:

- Expand insurance coverage options to 85 per cent of the long term average production for all possible crops.
- Develop a weather derivative product.
- Replace the Commissions customized underwriting and accounting software.
- Reform 15 regulations governing the operation of Crop Insurance Programming.

Significant progress was made in the revision of all Crop Insurance regulations to comply with the current interpretation of the Crop and Livestock Insurance Act. This interpretation requires the Commission to publish premium rates and unit prices in each regulation and revise these annually. The lag time required for regulatory approval creates a gap in service to our clients. The time line between the Commissions review of the most recent program experience (premium rates and price forecasts reviewed in February) and the deadline for Order in Council approval before the start for the current year (March 15), is very short. This has led to the Commission offering current prices and premiums without having received regulatory approval. This was the case in the spring of 2002. This process has improved for 2003 with required approvals achieved in time for the current crop year.

The administrative process associated with achieving regulatory approval had slowed considerably. Shortage of key staff at the Commission and at the Department of Justice contributed to the delays. As a result, approval to offer a weather derivative product and to offer higher coverage to all eligible clients was not received in time for the 2002 crop season. Five regulations were updated to reflect modern language.

The replacement of the Commissions database software did not progress as planned and remains a high priority. The system is an outdated DOS-based database that is no longer supported commercially or by the IT-Corporate Service Unit. Commission operations are severely hampered by the inflexible nature of this system. Delivery of new client benefits and product features are not possible without investment in new software. Efforts to obtain budgetary approval to proceed with this project have not been successful. A key position required to maintain the present system and to lead development of the replacement was not filled until March 2003. This project will continue to be a priority for the Commission.

## ACCOUNTABILITY REPORT

The core business of the Crop and Livestock Insurance Commission is the delivery of insurance products to the agriculture sector. As one of the pillars of Canada's financial system, insurance plays a key role in stabilizing business incomes by providing opportunities to manage or lay off risk. Crop production is particularly risk laden in that natural perils presented by climate and geography cannot easily be totally controlled or managed. The intended outcome of the Commissions program is to stabilize farm incomes.

| Measure | Where are we now? Base / Target / Result | Future Direction? Target 03–04 | Comments |
|---|---|---|---|
| Value of Coverage Written: The total dollar value of risk the Commission has accepted from its clients. | (millions)<br>$14.1 $14.5 $16.0<br>The value of coverage has risen steadily since 1991 as new programs, and higher unit prices have been offered to our clients. | (millions)<br>18.1<br>We intend to exceed $20 Million in crop insurance coverage by 2005-06 | Higher unit prices and an increase in acreage of high value horticulture crops have led to higher coverage value. |
| Aggregate Level of Coverage Written: The weighted average of coverage purchased expressed as a per cent of the Total Insurable Yield. | 76% 78.1% 78.27% | The Commission will continue to offer higher coverage levels, up to 90% thus reducing the deductibles on individual insurance contracts | More clients opting for higher coverage. The maximum coverage option offered in 2002–03 was 80% of the Average Insurable Yield. |
| Number of Insurance Products Offered: Insurance options are grouped according to plans. The total number of crops insurable is a more relevant figure | Plans<br>13 14 15<br>Crops Insured<br>23 34 | We intend to introduce two new plans by 2005–06 which will allow up to 8 additional crops to be insured. | Weather derivative insurance plans can be adapted to insure any crop affected by moisture or heat levels. |
| Number of Farms Using Program | 500 560 532 | We continue to make improvements in communication and service commitments to our clients. | Greater flexibility in rates and coverage options has made the program more accessible for many farm businesses. |
| Speed of Development of New Programs (Months): The time in months from approval by the Commission to authority to offer / change insurance product. | 12–18 8 12<br>A backlog in Commission/Department of Agriculture and Fisheries and Department of Justice has delayed implementation of many Commission initiatives. | We are committed to getting faster approvals for pricing changes by working closely with Agriculture and Fisheries and Justice staff, so that we can deliver timely information to our clients. | We are pursuing changes to the Crop and Livestock Insurance Act to allow the Commission to set unit prices and premium rates in a timely fashion. |

# PROVINCE OF NOVA SCOTIA
# NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION
# FINANCIAL STATEMENTS

## MARCH 31, 2003

**PROVINCE OF NOVA SCOTIA**
**NOVA SCOTIA CROP AND LIVESTOCK**
**INSURANCE COMMISSION**
**FINANCIAL STATEMENTS**
**MARCH 31, 2003**

## CONTENTS


| | Page |
|---|---|
| Auditors' Report | 27 |
| Balance Sheet | 28 |
| Statement of Surplus and Fund Balances | 29 |
| Statement of Cash Flows | 30 |
| Notes to Financial Statements | 31 |
| Schedule A - Premium Revenue and Indemnity Claims | 35 |
| Schedule B - Administrative Expenses | 36 |

## AUDITOR'S REPORT

To the Minister of Agriculture and Fisheries; and

To the Chair and Members of the Nova Scotia Crop and Livestock Insurance Commission

I have audited the balance sheet of the Nova Scotia Crop & Livestock Insurance Commission as at March 31, 2003, and the statements of surplus and fund balances, and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2003 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
June 20, 2003

**PROVINCE OF NOVA SCOTIA**
**NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION**
**BALANCE SHEET**
**AS AT MARCH 31, 2003**

## ASSETS

| | 2003 | 2002 |
|---|---|---|
| **Current Assets** | | |
| Cash | $ 83,458 | $ 103,952 |
| Short-term investments (Note 3) | 6,138,088 | 5,583,399 |
| Receivables, trade | 58,818 | 51,734 |
| Accrued interest receivable | 66,085 | 51,293 |
| | 6,346,449 | $5,790,378 |
| **Capital Assets** (Note 4) | 35,462 | 33,921 |
| | **$6,381,911** | **$5,824,299** |

## LIABILITIES AND FUND BALANCES

| | | |
|---|---|---|
| **Current Liabilities** | | |
| Unearned premiums | $ 39,889 | $ 31,415 |
| Deposits for insurance | 1,575 | 16,734 |
| Provision for payment of unsettled indemnities (Note 5) | 6,403 | 30,000 |
| | 47,867 | 78,149 |
| **Deferred Contributions Related to Capital Assets** (Note 6) | 35,462 | 33,922 |
| | 83,329 | 112,071 |
| **Fund Balances** | | |
| Crop insurance | 5,333,339 | 4,764,779 |
| Livestock insurance | 965,243 | 947,449 |
| | 6,298,582 | 5,712,228 |
| | **$6,381,911** | **$5,824,299** |

Commitments (Note 10)

APPROVED ON BEHALF OF THE COMMISSION

Director

Director

**PROVINCE OF NOVA SCOTIA**
**NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION**
**STATEMENT OF SURPLUS AND FUND BALANCES**
**FOR THE YEAR ENDED MARCH 31, 2003**

| | Crop Insurance | Livestock Insurance | Other | Totals 2003 | Totals 2002 |
|---|---|---|---|---|---|
| **Revenues** | | | | | |
| Insurance premiums (Schedule A) | $ 815,882 | $ 21,217 | $ – | $ 837,099 | $ 694,277 |
| Interest income | 148,683 | 28,321 | – | 177,004 | 245,908 |
| Amortization of deferred contributions | – | – | 9,976 | 9,976 | 11,783 |
| | 964,565 | 49,538 | 9,976 | 1,024,079 | 951,968 |
| **Expenses** | | | | | |
| Indemnity claims (Schedule A) | 352,384 | 31,744 | – | 384,128 | 924,058 |
| Bad debt expense | 43,619 | – | – | 43,619 | – |
| Administrative expenses (Note 7) (Schedule B) | 665,709 | 6,793 | 6,793 | 679,295 | 611,086 |
| Amortization of capital assets | – | – | 9,976 | 9,976 | 11,783 |
| | 1,061,712 | 38,537 | 16,769 | 1,117,018 | 1,546,927 |
| Income (loss) before Government contributions | (97,147) | 11,001 | ( 6,793) | ( 92,939) | ( 594,959) |
| Government contributions (Note 8) | 665,707 | 6,793 | 6,793 | 679,293 | 611,084 |
| **Net Surplus** | 568,560 | 17,794 | – | 586,354 | 16,125 |
| **Fund Balance** | | | | | |
| Beginning of year | 4,764,779 | 947,449 | – | 5,712,228 | 5,696,103 |
| **End of year** | **$5,333,339** | **$965,243** | **$ –** | **$6,298,582** | **$5,712,228** |

## PROVINCE OF NOVA SCOTIA
## NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION
## STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED MARCH 31, 2003

| | 2003 | 2002 |
|---|---|---|
| **Operating Activities** | | |
| Net Surplus | $ 586,354 | $ 16,125 |
| Net change in non-cash working capital balances related to operations (note 9) | (52,159) | (24,572) |
| | 534,195 | (8,447) |
| **Investing Activities** | | |
| Purchase of short-term investments | (554,689) | (13,877) |
| **Decrease in cash during year** | (20,494) | (22,324) |
| **Cash, beginning of year** | 103,952 | 126,276 |
| **Cash, end of year** | $ 83,458 | $ 103,952 |

**PROVINCE OF NOVA SCOTIA**
**NOVA SCOTIA CROP AND LIVESTOCK**
**INSURANCE COMMISSION**
**NOTES TO FINANCIAL STATEMENTS**
**MARCH 31, 2003**

## 1. Authority

The Nova Scotia Crop and Livestock Insurance Commission was established pursuant to Section 2(1) of the Nova Scotia Crop and Livestock Insurance Act. The function of the Commission is to administer plans of crop and livestock insurance, and conduct programs relating to these plans.

## 2. Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles and include the following accounting policy.

### Capital Assets

Capital assets are recorded at cost, net of accumulated amortization. Amortization is provided on a straight-line basis over the assets' estimated useful lives, which for office furniture is 10 years and for equipment is 5 or 10 years depending on the type of equipment.

## 3. Short-term investments

The commission invests excess funds to be used to pay future indemnity claims. At March 31, 2003 these funds had a market value of $6,131,033 (2002 - $5,582,330) and were invested in various corporate and provincial bonds maturing in 2003 and 2005 with yields from 1.5% to 4.0%.

## 4. Capital Assets

| | 2003 | 2002 |
|---|---|---|
| Equipment and furniture | $ 103,942 | $ 92,426 |
| Accumulated amortization | ( 68,480) | ( 58,505) |
| Net book value | $ 35,462 | $ 33,921 |

**PROVINCE OF NOVA SCOTIA**
**NOVA SCOTIA CROP AND LIVESTOCK**
**INSURANCE COMMISSION**
**NOTES TO FINANCIAL STATEMENTS**
**MARCH 31, 2003**

## 5. Provision for Payment of Unsettled Indemnities

Any indemnities for losses incurred in the fiscal year not paid as of year end have been estimated and recorded in the financial statements, with the exception of indemnities for Winter Grain.

Winter Grain is planted in the fall, but is not harvested until the following fall. Therefore, crop yields for Winter Grain are not known until well after the annual financial statements have been prepared. Crop yields can fluctuate dramatically depending upon factors such as weather conditions during the growing and harvesting seasons. As a result, the occurrence and amount of losses relating to this year's crop, if any, cannot be reasonably estimated at this time and therefore no provision has been recorded in the financial statements. In most cases, the indemnity expense for Winter Grain will be recorded in the year it is paid.

## 6. Deferred Contributions Related to Capital Assets

Deferred contributions related to capital assets represent capital assets which were purchased by the Department of Agriculture and Fisheries on behalf of the Commission.

| | 2003 | 2002 |
|---|---|---|
| Balance, beginning of year | $ 33,922 | $ 45,705 |
| Add: Capital assets acquired | 11,516 | – |
| Less: Amounts amortized to revenue | ( 9,976) | ( 11,783) |
| Balance, end of year | $ 35,462 | $ 33,922 |

## 7. Related Party Transactions

Administrative expenses include $30,000 (2002–$30,000) for rent and $44,240 (2002–$44,240) for miscellaneous professional services that were charged to the Commission by the Nova Scotia Department of Agriculture and Fisheries.

**PROVINCE OF NOVA SCOTIA**
**NOVA SCOTIA CROP AND LIVESTOCK**
**INSURANCE COMMISSION**
**NOTES TO FINANCIAL STATEMENTS**
**MARCH 31, 2003**

## 8. Government Contributions

Under the crop insurance programs, producers pay 50% of the insurance premiums and the Federal and Provincial governments each pay 25%. Neither the Federal nor Provincial governments cost share in the insurance premiums of the livestock insurance program or in non-refundable deposits.

For the 2003 fiscal year, the Federal government contributed 49% (2002–49%) of the total administrative expenses. The Provincial government funded the remainder.

## 9. Net change in non-cash working capital balances related to operations

| Increase (decrease) in cash from changes in: | 2003 | 2002 |
|---|---|---|
| Receivables | $ ( 7,084) | $ 3,710 |
| Accrued interest receivable | ( 14,792) | 144,415 |
| Increase in deposits for insurance | ( 15,159) | 16,172 |
| Unsettled indemnities | ( 23,598) | (189,375) |
| Unearned premiums | 8,474 | 506 |
| | **$ ( 52,159)** | **$ (24,572)** |

## 10. Insurance Coverage

The total insurance coverage as of March 31, 2003 was $52,632,562 (2002–$40,588,927), comprising crop insurance of $15,899,230 (2002–$14,747,927) and livestock insurance of $36,733,332 (2002–$25,841,000).

The Province is party to an agreement with the Government of Canada, whereby, the Province makes advances to a fund administered by the Government of Canada called the Crop Re-Insurance Fund of Canada for Nova Scotia. The purpose of this Fund is to assist the Province of Nova Scotia when there is a requirement by the Province to make advances to the Commission for the payment of crop insurance indemnities. Advances to this Fund are recorded by the Province as a loan receivable, although they have not been reflected in the accounting records of the Commission.

The total re-insurance premiums paid by the Province have amounted to approximately $709,000. Management holds the opinion that the payment of these premiums was the responsibility of the Province. Discussions are ongoing to determine if the Commission should repay all, or a portion, of these re-insurance premiums to the Province. The amount, if any, to be repaid to the Province will be recorded by the Commission at that time.

There is no Re-Insurance Fund for livestock.

Subsequent to year-end, the Commission took out their own re-insurance fund on both livestock and crops. They secured coverage of $3 million, for a premium of $195,000. They made the first installment payment of the premium on April 30, 2003, in the amount of $97,500 and will pay the balance in October.

## 11. Public Service Superannuation Fund

All full time employees of the Commission are entitled to receive pension benefits pursuant to the provisions of a pension plan established under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer's contributions are included in the Commission's operating expenses. The Public Service Superannuation Fund is administered by the Department of Finance. The Commission is not responsible for any unfunded liability. The pension expense incurred in the current year was $23,525.

## 12. Economic dependence

The Commission is economically dependent upon the ongoing and future funding of the Nova Scotia and Federal governments.

SCHEDULE A

## PROVINCE OF NOVA SCOTIA
## NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION
## PREMIUM REVENUE AND INDEMNITY CLAIMS
## FOR THE YEAR ENDED MARCH 31, 2003

| | Premium Revenue | | | | | Indemnity Claims | |
|---|---|---|---|---|---|---|---|
| | Farmer | Federal | Provincial | 2003 | 2002 | 2003 | 2002 |
| **Crop Insurance** | | | | | | | |
| Spring grain | $ 21,990 | $ 10,995 | $ 10,995 | $ 43,980 | $ 45,988 | $ 8,919 | $ 60,070 |
| Winter grain | 14,568 | 7,284 | 7,284 | 29,136 | 26,408 | 8,464 | 14,622 |
| Tree fruit | 97,381 | 48,690 | 48,690 | 194,761 | 214,605 | 13,135 | 99,201 |
| Corn | 20,980 | 10,490 | 10,490 | 41,960 | 41,291 | 12,065 | 10,410 |
| Peas & beans | 41,878 | 20,939 | 20,939 | 83,756 | 71,828 | 42,656 | 77,086 |
| Blueberries | 98,455 | 49,227 | 49,227 | 196,909 | 116,446 | 175,644 | 257,995 |
| Strawberries and raspberries | 9,863 | 4,931 | 4,931 | 19,725 | 10,772 | 10,605 | 9,615 |
| Forage | 4,057 | 1,946 | 2,001 | 8,004 | 9,670 | 8,554 | 6,391 |
| Soybeans | 3,686 | 1,842 | 1,842 | 7,370 | 9,913 | 6,821 | 6,785 |
| Potatoes | 34,429 | 17,214 | 17,214 | 68,857 | 50,309 | (7,941) | 160,873 |
| Vegetables | 60,712 | 30,356 | 30,356 | 121,424 | 69,310 | 73,462 | 216,620 |
| | 407,999 | 203,914 | 203,969 | 815,882 | 666,540 | 352,384 | 919,668 |
| **Livestock Insurance** | | | | | | | |
| Dairy | 21,217 | — | — | 21,217 | 27,737 | 31,744 | 4,390 |
| **Total** | **$ 429,216** | **$203,914** | **$203,969** | **$837,099** | **$694,277** | **$384,128** | **$924,058** |

SCHEDULE B

**PROVINCE OF NOVA SCOTIA**
**NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION**
**ADMINISTRATIVE EXPENSES**
**FOR THE YEAR ENDED MARCH 31, 2003**

| | Crop Insurance | Livestock Insurance | Other | Totals 2003 | Totals 2002 |
|---|---|---|---|---|---|
| Personnel | $471,850 | $ 4,815 | $4,815 | $ 481,480 | $443,835 |
| Transportation and communication | 52,419 | 535 | 535 | 53,489 | 50,038 |
| Information | 5,941 | 61 | 61 | 6,063 | 10,136 |
| Professional and special services | 30,410 | 310 | 310 | 31,030 | 7,871 |
| Office accommodation and equipment rental | 30,268 | 309 | 309 | 30,886 | 35,198 |
| Repair and maintenance of equipment | 1,085 | 11 | 11 | 1,107 | 521 |
| Utilities, materials and supplies | 30,381 | 310 | 310 | 31,001 | 19,247 |
| Other expenditures | 43,355 | 442 | 442 | 44,239 | 44,240 |
| | **$665,709** | **$ 6,793** | **$6,793** | **$ 679,295** | **$611,086** |